

VASSAR PUBLIC SCHOOLS
VASSAR, MICHIGAN

FINANCIAL STATEMENTS
JUNE 30, 2007

TABLE OF
CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3a-3j
Basic Financial Statements	
District-wide Financial Statements	
Statement of Net Assets	4
Statement of Activities	5
Fund Financial Statements	
Governmental Funds:	
Balance Sheet	6
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets	7
Statement of Revenue, Expenditures and Changes in Fund Balance	8
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	9
Fiduciary Funds:	
Statement of Fiduciary Net Assets	10
Statement of Changes in Fiduciary Net Assets	10
Notes to Financial Statements	11-23
Required Supplemental Information	
Budgetary Comparison Schedule – General Fund	24

TABLE OF
CONTENTS

	<u>Page</u>
Other Supplemental Information	
Combining Balance Sheet – Nonmajor Governmental Funds	25
Combining Statement of Revenue, Expenditures and Changes In Fund Balance – Nonmajor Governmental Funds	26
Schedule of Bonded Indebtedness	
1999 Issue	27
1998 Durant Issue	28
QZAB	29
Report on internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with Government Auditing Standards	30-31
Report on Compliance with Requirements Applicable to each major program and Internal Control over compliance in Accordance with OMB Circular A-133	32-33
Schedule of Findings and Questioned Costs	34-36
Schedule of Expenditures of Federal Awards	37-38
Notes to the Schedule of Expenditures of Federal Awards	39



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Independent Auditors' Report

September 4, 2007

To the Board of Education
Vassar Public Schools
Vassar, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Vassar Public Schools as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Vassar Public Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Vassar Public Schools as of June 30, 2007, and the respective changes in financial position, thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

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WEINLANDER FITZHUGH

To the Board of Education
Vassar Public Schools
September 4, 2007

In accordance with *Government Auditing Standards*, we have also issued a report under separate cover dated September 4, 2007, on our consideration of the School District's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but is supplemental information required by U.S. generally accepted accounting principles and the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Vassar Public Schools' basic financial statements. The combining and individual nonmajor fund financial statements and debt schedules and the schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and debt schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

VASSAR PUBLIC SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2007

Our discussion and analysis of the Vassar Public Schools' (School District) financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2007.

Financial Highlights

The School District's net assets decreased by \$65,026. Program revenues were \$2,716,129 or 17% of total revenues, and general revenues accounted for \$13,551,343 or 83%.

The General Fund reported a decrease in fund balance of \$380,200.

Using this Annual Financial Report

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Vassar Public Schools financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant fund – the General Fund, with all other funds presented in one column as nonmajor funds. The remaining statements, the statement of fiduciary net assets and the statement of changes in fiduciary net assets, present financial information about activities for which the School District acts solely as an agent for the benefit of students. The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- District-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

Budgetary Information for the General Fund (Required Supplemental Information)

Other Supplemental Information

VASSAR PUBLIC SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2007

Reporting the District as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions asked about the School District's finances is, "Is the School District better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the School District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector businesses. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the School District's net assets as a way to measure the School District's financial position. The change in net assets provides the reader a tool to assist in determining whether the School District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base, student enrollment growth, and facility conditions in arriving at their conclusion regarding the overall health of the School District.

Reporting the District's Most Significant Funds

Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants, and other sources of revenue. The School District's two types of funds, governmental and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

VASSAR PUBLIC SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2007

Fiduciary Funds

The School District is the trustee, or fiduciary, for its student activity funds and scholarship funds. All of the School District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. We exclude these activities from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

District-wide Financial Analysis

The statement of net assets provides the perspective of the School District as a whole. Exhibit A provides a comparative summary of the School District's net assets as of June 30, 2007 and 2006:

Exhibit A	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Assets		
Current and other assets	\$ 6,526,206	\$ 6,674,701
Capital assets - net of accumulated depreciation	<u>6,599,692</u>	<u>6,693,176</u>
Total assets	<u>13,125,898</u>	<u>13,367,877</u>
Liabilities		
Current liabilities	1,572,760	1,704,892
Long-term liabilities	<u>5,796,359</u>	<u>5,841,180</u>
Total liabilities	<u>7,369,119</u>	<u>7,546,072</u>
Net Assets		
Invested in property and equipment - net of related debt	974,531	738,113
Restricted	227,521	286,620
Unrestricted	<u>4,554,727</u>	<u>4,797,072</u>
Total net assets	<u>\$ 5,756,779</u>	<u>\$ 5,821,805</u>

VASSAR PUBLIC SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2007

The table on the previous page, focuses on net assets (see Exhibit A). The School District's net assets were \$5,756,779 at June 30, 2007. Capital assets, net of related debt totaling \$974,531 compares the original costs, less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt requirements and legislation that limit the School District's ability to use those net assets for day-to-day operations.

The \$4,554,727 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the summarized comparative statement of activities (Exhibit B), which shows the changes in net assets for the years ended June 30, 2007 and 2006.

VASSAR PUBLIC SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2007

Exhibit B	Governmental Activities	
	2007	2006
Revenue		
Program revenue:		
Charges for services	\$ 369,508	\$ 350,608
Grants and categoricals	2,346,621	2,356,650
General revenue:		
Property taxes	1,499,817	1,501,878
State foundation allowance	11,860,288	11,764,227
Other	191,238	160,187
Total revenue	16,267,472	16,133,550
Function/Program Expenses		
Instruction	10,471,146	10,336,085
Support services	4,396,616	4,201,842
Community services	106,669	103,516
Food services	569,780	546,925
Athletics	248,781	255,519
Interest on long-term debt	239,733	253,166
Depreciation (unallocated)	299,773	298,762
Total expenses	16,332,498	15,995,815
Increase (Decrease) in Net Assets	<u><u>\$ (65,026)</u></u>	<u><u>\$ 137,735</u></u>

VASSAR PUBLIC SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2007

As reported in the summarized comparative statement of activities, the cost of all of our *governmental* activities in 2007 was \$16,332,498. Certain activities were partially funded from those who benefited from the programs in the amount of \$369,508 or by the other governments and organizations that subsidized certain programs with grants and categoricals in the amount of \$2,346,621. We paid for the remaining "public benefit" portion of our governmental activities with \$1,499,817 in taxes, \$11,860,288 in State Foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced a decrease in net assets in 2007 of \$65,026. Key reasons for the change in net assets were a significant increase the amount of revenue received from operating grants coupled with only modest increases in expenses.

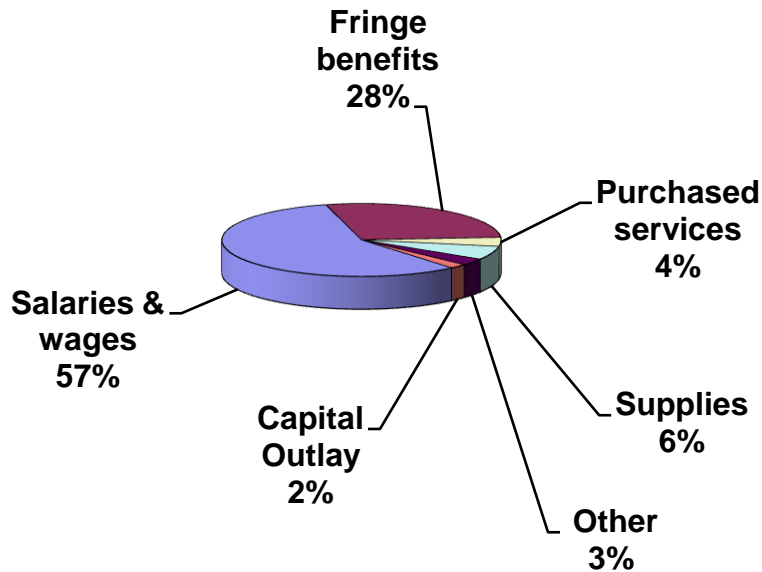
The second factor was an increase in interest and investment earnings of approximately \$70,658. The increase is attributed to increases in the amount of funds the organization has invested and the increase in interest rates.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$16,492,448 and expenditures and other financing uses of \$16,845,604 in 2007. The positive change in fund balance reflects an increase in state revenue and earnings on investment combined with a less than proportional increase in expenditures. The School District continued to meet its current costs and obligations.

VASSAR PUBLIC SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2007

As the graph below illustrates, the largest portions of General Fund expenditures in 2007 are for salaries and fringe benefits. The School District by nature is a labor intensive organization.



	2007	2006	Percentage Change
<i>Expenditures by Object</i>			
Salaries and wages	\$ 8,802,353	\$ 8,854,097	-1%
Fringe benefits	4,355,404	4,220,458	3%
Purchased services	595,937	601,506	-1%
Supplies	884,721	851,432	4%
Capital outlay	242,362	96,119	152%
Other	454,585	253,857	79%
Total	<u>\$ 15,335,362</u>	<u>\$ 14,877,469</u>	<u>3%</u>

Expenditures are consistent with the prior year mostly due to benefit and supplies increases associated with being offset by reductions in capital outlay.

VASSAR PUBLIC SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2007

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

- Budgeted revenues were increased to reflect an increase in state and federal grant funding. Local revenue was adjusted for accuracy.
- Budgeted expenditures increased to reflect the increase in federal grant funding and the increase in other support services activities.
- Variances between the final budget and actual amounts are reflected in Note 13 in the notes to financial statements.

Capital Assets

At June 30, 2007, the School District had \$6,599,692 invested in a broad range of capital assets, including buildings, buses, vehicles, furniture and equipment. This amount represents a net decrease (including additions and disposals) of \$4,493 or 3%, from last year.

	<u>2007</u>	<u>2006</u>
Buildings and improvements	\$ 10,017,701	\$ 9,875,035
Buses and other vehicles	945,328	1,092,487
Furniture and equipment	<u>862,676</u>	<u>862,676</u>
 Total capital assets	 11,825,705	 11,830,198
 Less accumulated depreciation	 <u>5,226,013</u>	 <u>5,137,022</u>
 Net capital assets	 <u><u>\$ 6,599,692</u></u>	 <u><u>\$ 6,693,176</u></u>

This year's additions of \$206,289 included the second phase of the construction of the track, new bus, metal roof on the middle school and gym floor repairs.

VASSAR PUBLIC SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2007

Debt

At the end of this year, the School District had \$5.6 million in bonds outstanding versus \$5.9 million in the previous year – a change of 6%. Those bonds consisted of the following:

	<u>2007</u>	<u>2006</u>
2005 QZAB Bonds	\$ 500,000	\$ 500,000
1999 Refunding Bonds	5,030,000	5,360,000
1998 Durant Bonds	55,707	55,707
	<u>\$ 5,585,707</u>	<u>\$ 5,915,707</u>

Factors Expected to have an Effect on Future Operations

Our elected Board and administration considered many factors when setting the School District's 2008 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2008 fiscal year budget was adopted in June 2007, based on an estimate of students that will be enrolled in September 2007. Under State law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2007-2008 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2008 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue-estimating conference to estimate revenues. We are anticipating a zero percent increase in State funding. There needs to be State Aid increases high enough to compensate for inflation, salary increases, fringe benefit increase, and operating cost increase. Until the State economic growth gets much better, schools will continue to have economic difficulties.

VASSAR PUBLIC SCHOOLS
Management's Discussion & Analysis
For the Year Ended June 30, 2007

Requests For Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the Superintendent
Vassar Public Schools
230 Athletic Street
Vassar, MI 48768

VASSAR PUBLIC SCHOOLS
Statement of Net Assets
June 30, 2007

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and investments	\$ 4,008,432
Accounts receivable	32,580
Due from other governmental units	2,382,312
Inventories and prepaid expenses	102,882
Capital assets less accumulated depreciation of \$5,226,013	<u>6,599,692</u>
Total assets	<u>13,125,898</u>
<u>Liabilities</u>	
Accounts payable	214,415
Accrued payroll and other liabilities	1,228,940
Deferred revenue	89,951
Interest payable	39,454
Long-term liabilities:	
Due within one year	345,000
Due in more than one year	<u>5,451,359</u>
Total liabilities	<u>7,369,119</u>
<u>Net Assets</u>	
Investment in capital assets - net of related debt	974,531
Restricted for debt service	220,081
Restricted for capital projects	7,440
Unrestricted	<u>4,554,727</u>
Total net assets	<u>\$ 5,756,779</u>

See accompanying notes to financial statements.

VASSAR PUBLIC SCHOOLS
Statement of Activities
For the Year Ended June 30, 2007

		Program Revenues		Governmental
				Activities
	Expenses	Charges for Services	Operating Grants/Contributions	Net (Expense) Revenue and Changes in Net Assets
<u>Functions/Programs</u>				
Governmental activities:				
Instruction	\$ 10,471,146	\$ 17,655	\$ 1,959,313	\$ (8,494,178)
Support services	4,396,616	8,696	8,029	(4,379,891)
Community services	106,669	6,634	8,612	(91,423)
Food services	569,780	265,355	370,667	66,242
Athletics	248,781	71,168	0	(177,613)
Interest on long-term debt	239,733	0	0	(239,733)
Depreciation (unallocated)	299,773	0	0	(299,773)
Total governmental activities	<u>\$ 16,332,498</u>	<u>\$ 369,508</u>	<u>\$ 2,346,621</u>	<u>(13,616,369)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				898,526
Property taxes, levied for debt services				601,291
State aid not restricted to specific purposes				11,860,288
Interest and investment earnings				149,296
Other				<u>41,942</u>
Total general revenues				<u>13,551,343</u>
Change in net assets				(65,026)
Net assets - beginning of year				<u>5,821,805</u>
Net assets - end of year				<u>\$ 5,756,779</u>

See accompanying notes to financial statements.

VASSAR PUBLIC SCHOOLS
Governmental Funds
Balance Sheet
June 30, 2007

	<u>General</u>	Other Nonmajor Governmental Funds	<u>Total</u>
<u>ASSETS</u>			
Cash and investments	\$ 3,523,116	\$ 485,316	\$ 4,008,432
Accounts receivable	0	32,580	32,580
Due from other governmental units	2,382,312	0	2,382,312
Inventories and prepaid expenditures	94,536	8,346	102,882
	<u>5,999,964</u>	<u>526,242</u>	<u>6,526,206</u>
Total Assets	<u>\$ 5,999,964</u>	<u>\$ 526,242</u>	<u>\$ 6,526,206</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>Liabilities</u>			
Accounts payable	\$ 208,263	\$ 6,152	\$ 214,415
Accrued payroll and other liabilities	1,228,940	0	1,228,940
Deferred revenue	89,951	0	89,951
	<u>1,527,154</u>	<u>6,152</u>	<u>1,533,306</u>
Total liabilities	<u>1,527,154</u>	<u>6,152</u>	<u>1,533,306</u>
<u>Fund Balance</u>			
Reserved for inventories and prepaid expenditures	94,536	8,346	102,882
Reserved for debt service	0	220,081	220,081
Reserved for capital projects	0	7,440	7,440
Unreserved/undesignated	4,378,274	284,223	4,662,497
	<u>4,472,810</u>	<u>520,090</u>	<u>4,992,900</u>
Total fund balance	<u>4,472,810</u>	<u>520,090</u>	<u>4,992,900</u>
Total Liabilities and Fund Balance	<u>\$ 5,999,964</u>	<u>\$ 526,242</u>	<u>\$ 6,526,206</u>

See accompanying notes to financial statements

VASSAR PUBLIC SCHOOLS
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2007

Total fund balance - governmental funds	\$ 4,992,900
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds:	
Cost of the capital assets	11,825,705
Accumulated depreciation	(5,226,013)
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Bonds payable	(5,585,707)
Compensated absences	(210,652)
Accrued interest payable is not included as a liability in governmental activities	<u>(39,454)</u>
Total net assets - governmental activities	<u><u>\$ 5,756,779</u></u>

See accompanying notes to financial statements

VASSAR PUBLIC SCHOOLS
Governmental Funds
Statement of Revenue, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2007

	General	Other Nonmajor Governmental Funds	Totals
<u>Revenue</u>			
Local sources:			
Property taxes	\$ 898,526	\$ 601,291	\$ 1,499,817
Other	278,174	340,352	618,526
State sources	12,874,676	34,936	12,909,612
Federal sources	903,786	335,730	1,239,516
	<u>14,955,162</u>	<u>1,312,309</u>	<u>16,267,471</u>
Total revenue			
	<u>14,955,162</u>	<u>1,312,309</u>	<u>16,267,471</u>
<u>Expenditures</u>			
Current:			
Instruction	10,522,857	0	10,522,857
Support services	4,480,859	0	4,480,859
Community services	106,669	0	106,669
Food service	0	569,780	569,780
Athletics	0	248,781	248,781
Capital outlay	0	122,046	122,046
Debt service:			
Principal	0	330,000	330,000
Interest	0	239,635	239,635
	<u>15,110,385</u>	<u>1,510,242</u>	<u>16,620,627</u>
Total expenditures			
	<u>15,110,385</u>	<u>1,510,242</u>	<u>16,620,627</u>
Excess (deficiency) of revenue over expenditures	<u>(155,223)</u>	<u>(197,933)</u>	<u>(353,156)</u>
<u>Other Financing Sources (Uses)</u>			
Operating transfers in from other funds	0	224,977	224,977
Operating transfers out to other funds	(224,977)	0	(224,977)
	<u>(224,977)</u>	<u>224,977</u>	<u>0</u>
Total other financing sources (uses)			
	<u>(224,977)</u>	<u>224,977</u>	<u>0</u>
Net change in fund balance	(380,200)	27,044	(353,156)
Fund balance - beginning of year	4,853,010	493,046	5,346,056
Fund balance - end of year	<u>\$ 4,472,810</u>	<u>\$ 520,090</u>	<u>\$ 4,992,900</u>

See accompanying notes to financial statements

VASSAR PUBLIC SCHOOLS
Reconciliation of the Statement of Revenue, Expenditures and
Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2007

Net change in fund balance - total governmental funds	\$ (353,156)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	
Depreciation expense	(299,773)
Capital outlay	206,289
Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	(98)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	330,000
Decreases in compensated absences are reported as expenditures when financial resources are used in the governmental funds in accordance with GASB Interpretation No. 6	<u>51,712</u>
Change in net assets of governmental activities	<u><u>\$ (65,026)</u></u>

See accompanying notes to financial statements.

VASSAR PUBLIC SCHOOLS
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2007

	<u>Agency Funds</u>	<u>Private Purpose Trusts</u>
<u>ASSETS</u>		
Cash and investments	<u>\$ 119,058</u>	<u>\$ 81,924</u>
<u>LIABILITIES</u>		
Due to student groups	<u>\$ 119,058</u>	
<u>NET ASSETS</u>		
Held in trust for scholarships		<u>\$ 81,924</u>

VASSAR PUBLIC SCHOOLS
Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2007

	<u>Private Purpose Trusts</u>
<u>Additions</u>	
Contributions and investment income	\$ 20,287
<u>Deductions</u>	
Scholarships	<u>3,000</u>
Change in net assets	17,287
Net assets - beginning of year	<u>64,637</u>
Net assets - end of year	<u>\$ 81,924</u>

See accompanying notes to financial statements.

VASSAR PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Vassar Public Schools (the “School District”) conform to U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District’s reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District’s government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statement.

VASSAR PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

District-wide Statements – The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

Fund-based Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

VASSAR PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The School District reports the following major governmental fund:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances to/from other funds.”

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets – Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	50 years
Buses and other vehicles	10 years
Furniture and equipment	5-20 years

VASSAR PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences – The liability for compensated absences reported in the district-wide statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method. Leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates – The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Property Taxes – For Vassar Public Schools taxpayers, properties are assessed as of December 31 and the related property taxes are levied and become a lien on December 1 of the following year. The final collection date is February 28, after which uncollected taxes are added to the County delinquent tax rolls.

State Aid – For the fiscal year ended June 30, 2007, the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2007, the foundation allowance was based on the average pupil membership counts taken in February and September of 2006.

VASSAR PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through payments from October 2006 – August 2007. The local revenue is recognized as outlined in Note 1 Basis of Accounting. Amounts receivable from the State of Michigan at June 30, 2007 relating to state aid is \$2,173,372.

The School District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

NOTE 2 – BUDGETS

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of school districts prior to the expenditure of monies in a fiscal year.

Vassar Public Schools follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The School District's Superintendent submits to the Board a proposed budget prior to July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Board throughout the year. Individual amendments were not material in relation to the original appropriations. Budgets are adopted to the functional level.
4. Appropriations lapse at year-end and therefore cancels all encumbrances. These appropriations are re-established at the beginning of the following year.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Education) for the General Fund is presented as Required Supplemental Information.

VASSAR PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 3 – DEPOSITS AND INVESTMENTS

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

At year-end, the School District's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and investments	<u>\$ 4,008,432</u>	<u>\$ 200,982</u>	<u>\$ 4,209,414</u>

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking and savings accounts, certificates of deposit)	<u>\$ 4,209,414</u>
---	---------------------

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2007, \$4,251,731 of the School District's bank balance of \$4,453,239 was exposed to custodial credit risk because it was uninsured and collateralized.

VASSAR PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 4 - CAPITAL ASSETS

A summary of changes in governmental capital assets follows:

	Balance July 1, 2006	Additions	Disposals and Adjustments	Balance June 30, 2007
Capital assets being depreciated:				
Buildings and improvements	\$ 9,875,035	\$ 142,666	\$ 0	\$ 10,017,701
Buses and other vehicles	1,092,487	63,623	210,782	945,328
Furniture and equipment	862,676	0	0	862,676
Subtotal	<u>11,830,198</u>	<u>206,289</u>	<u>210,782</u>	<u>11,825,705</u>
Accumulated depreciation:				
Buildings and improvements	3,747,601	194,681	0	3,942,282
Buses and other vehicles	865,152	58,752	210,782	713,122
Furniture and equipment	524,269	46,340	0	570,609
Subtotal	<u>5,137,022</u>	<u>299,773</u>	<u>210,782</u>	<u>5,226,013</u>
Net capital assets being depreciated	<u>6,693,176</u>	<u>(93,484)</u>	<u>0</u>	<u>6,599,692</u>
Total capital assets - net of depreciation	<u><u>\$ 6,693,176</u></u>	<u><u>\$ (93,484)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 6,599,692</u></u>

Depreciation for fiscal year ended June 30, 2007 amounted to \$299,773. The School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions. Asset historical or estimated historical values relating to land have been determined not to exceed \$5,000, thus these values are not included in the above summary.

VASSAR PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A summary of transfers made during the year ended June 30, 2007 is as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 0	\$ 224,977
Special Revenue:		
Athletics	195,511	0
Debt Service:		
QZAB	<u>29,466</u>	<u>0</u>
	<u>\$ 224,977</u>	<u>\$ 224,977</u>

There were no interfund receivables or payables as of June 30, 2007.

Transfers are used to (1) supplement athletic operational costs and (2) provide for debt service reserves.

NOTE 6 – RECEIVABLES

Receivables at June 30, 2007, consist of accounts (fees), intergovernmental grants and interest.

A summary of the intergovernmental receivables (due from other governmental units) follows:

State Aid	\$2,173,372
Federal Grants	<u>206,248</u>
	<u>\$2,379,620</u>

VASSAR PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 7 – DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, grant and categorical aid payments received prior to meeting all eligibility requirements amounted to \$89,951.

NOTE 8 – LONG-TERM DEBT

The following is a summary of governmental long-term obligations for the School District for the year ended June 30, 2007:

	Balance July 1, 2006	Additions	Retirements and Payments	Balance June 30, 2007	Amount Due Within One Year
Bonds	\$5,915,707	\$ 0	\$ 330,000	\$5,585,707	\$ 345,000
Compensated absences	262,364	0	51,712	210,652	0
Total	<u>\$6,178,071</u>	<u>\$ 0</u>	<u>\$ 381,712</u>	<u>\$5,796,359</u>	<u>\$ 345,000</u>

Bonds payable at June 30, 2007 are comprised of the following issues:

\$6,465,000 1999 refunding bonds due in annual installments of \$75,000 to \$455,000 through May 1, 2019, interest at 3.85% to 4.75%	\$5,030,000
\$135,920 Durant Non-Plaintiff serial bonds due in annual installments of \$6,891 to \$31,127 through May 15, 2013; interest at 4.76%	55,707
\$500,000 Qualified Zone Academy bonds due in 2020; interest at 0%.	<u>500,000</u>
Total Bonded Debt	<u>\$5,585,707</u>

The Durant Non-Plaintiff bond, including interest, was issued in anticipation of payment to the School District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The School District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond.

VASSAR PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 8 – LONG-TERM DEBT (CONTINUED)

The Durant Non-Plaintiff bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitations. This Bond is payable both as to principal and interest solely from the State Aid payments described in the preceding paragraph.

The School District defeased the outstanding debt listed below by placing the proceeds of new debt in an irrevocable trust to provide for the future debt service payments on the callable portions of the old debt. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's basic financial statements.

As of June 30, 2007
the amount of debt
considered defeased

Serial bond issue, 1994

\$6,070,000

The annual requirements to amortize bonds outstanding as of June 30, 2007, including interest payments, are as follows:

Year Ended June 30	Principal	Interest	Total
2008	\$ 345,000	\$ 225,970	\$ 570,970
2009	367,564	213,633	581,197
2010	382,924	198,153	581,077
2011	398,302	181,650	579,952
2012	418,696	164,291	582,987
2013-2017	2,263,221	533,702	2,796,923
2018-2020	1,410,000	64,838	1,474,838
	<u>\$ 5,585,707</u>	<u>\$ 1,582,237</u>	<u>\$ 7,167,944</u>

Under the terms of the present contracts between the Board of Education of Vassar Public Schools and the various employee associations, the School District is contingently liable for unused sick days. Each employee may accumulate various numbers of sick days and must be paid for them upon termination of employment. At June 30, 2007, the amount of \$210,652 has been reflected in the district-wide financial statements.

VASSAR PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 9 – RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical claims and participates in the SET-SEG risk pool for claims relating to workers' compensation, general liability, and property/casualty claims. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in any of the past three fiscal years.

The SET-SEG shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE 10 – DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS

Plan Description – The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

Funding Policy – Employer contributions to the system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

The pension benefit rate totals 16.34% for the period from July 1, 2006 to September 30, 2006 and 17.74% for the period from October 1, 2006 through June 30, 2007 of the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPERS plan for the years ended June 30, 2007, 2006, and 2005 were \$1,585,827, \$1,453,373, and \$1,324,475 respectively.

NOTE 10 - DEFINED BENEFIT PENSION PLAN AND POSTEMPLOYMENT BENEFITS
(CONTINUED)

Postemployment Benefits – Under the MPERS Act, all retirees participating in the MPERS pension plan have the option of continuing health, dental, and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverage. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPERS plan discussed above.

VASSAR PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 11 – GRANTS

The School District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the School District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable fund. Based on prior experience, the School District administration believes such disallowance, if any, would be immaterial.

NOTE 12 – ECONOMIC DEPENDENCY

The School District received approximately 86% of their General Fund revenue from the Michigan Department of Education. Due to the significance of this revenue source to the School District, the School District is considered to be economically dependent

VASSAR PUBLIC SCHOOLS
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 13 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School District for these budgetary funds were adopted to the fund level.

During the year ended June 30, 2007, the School District incurred revenues and expenditures which were in excess of the amount appropriated, as follows:

<u>Fund/Function</u>	<u>Total Budget</u>	<u>Amount of Revenue</u>	<u>Budget Variance</u>
General Fund:			
Property taxes	\$ 923,308	\$ 898,526	\$ (24,782)
State sources	12,887,823	12,874,676	(13,147)
Federal sources	918,544	903,786	(14,758)
<u>Fund/Function</u>	<u>Total Budget</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
Food Services Fund			
Operational expenditures	\$ 532,222	\$ 569,779	\$ (37,557)

VASSAR PUBLIC SCHOOLS
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2007

	Original Budget	Final Amended Budget	Actual
<u>Revenue</u>			
Local sources:			
Property taxes	\$ 913,190	\$ 923,308	\$ 898,526
Other	189,700	265,017	278,174
State sources	13,024,760	12,887,823	12,874,676
Federal sources	898,210	918,544	903,786
Total revenue	<u>15,025,860</u>	<u>14,994,692</u>	<u>14,955,162</u>
<u>Expenditures</u>			
Instruction:			
Basic programs	6,385,795	6,352,971	6,311,613
Added needs	4,395,884	4,436,222	4,211,244
Support services:			
Pupil	402,525	403,928	399,887
Instructional staff	130,755	139,959	116,485
General administration	443,205	393,815	355,320
School administration	1,123,365	1,105,660	1,097,823
Business services	65,700	63,896	63,891
Operations and maintenance	1,383,560	1,356,598	1,330,976
Transportation	664,025	654,638	648,338
Other	403,410	498,728	468,139
Community services	118,590	117,330	106,669
Total expenditures	<u>15,516,814</u>	<u>15,523,745</u>	<u>15,110,385</u>
Excess (deficiency) of revenue over expenditures	(490,954)	(529,053)	(155,223)
<u>Other Financing Sources (Uses)</u>			
Operating transfers out to other funds	<u>(224,981)</u>	<u>(224,981)</u>	<u>(224,977)</u>
Net change in fund balance	(715,935)	(754,034)	(380,200)
Fund balance - beginning of year	<u>4,853,010</u>	<u>4,853,010</u>	<u>4,853,010</u>
Fund balance - end of year	<u>\$ 4,137,075</u>	<u>\$ 4,098,976</u>	<u>\$ 4,472,810</u>

VASSAR PUBLIC SCHOOLS
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

	Special Revenue Funds		Debt Service Fund			Capital Projects	Total
	Athletic Activities	Food Service	1999 Issue	1998 Durant	2005 QZAB		
<u>ASSETS</u>							
Cash and investments	\$ 66,919	\$ 190,876	\$ 161,148	\$ 0	\$ 58,933	\$ 7,440	\$ 485,316
Accounts receivable	580	32,000	0	0	0	0	\$ 32,580
Inventories	0	8,346	0	0	0	0	8,346
Total Assets	<u>\$ 67,499</u>	<u>\$ 231,222</u>	<u>\$ 161,148</u>	<u>\$ 0</u>	<u>\$ 58,933</u>	<u>\$ 7,440</u>	<u>\$ 526,242</u>
<u>LIABILITIES AND FUND BALANCE</u>							
<u>Liabilities</u>							
Accounts payable	\$ 0	\$ 6,152	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,152
<u>Fund Balance</u>							
Reserved for inventories	0	8,346	0	0	0	0	8,346
Reserved for debt service	0	0	161,148	0	58,933	0	220,081
Reserved for capital projects	0	0	0	0	0	7,440	7,440
Unreserved - undesignated	67,499	216,724	0	0	0	0	284,223
Total fund balance	<u>67,499</u>	<u>225,070</u>	<u>161,148</u>	<u>0</u>	<u>58,933</u>	<u>7,440</u>	<u>520,090</u>
Total Liabilities and Fund Balance	<u>\$ 67,499</u>	<u>\$ 231,222</u>	<u>\$ 161,148</u>	<u>\$ 0</u>	<u>\$ 58,933</u>	<u>\$ 7,440</u>	<u>\$ 526,242</u>

VASSAR PUBLIC SCHOOLS
Other Supplemental Information
Combining Statement of Revenue, Expenditures
and Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended June 30, 2007

	Special Revenue Funds		Debt Service Fund			Capital	
	Athletic	Food	1999	1998	2005	Projects	Total
	Activities	Services	Issue	Durant	QZAB		
<u>Revenue</u>							
Local sources:							
Property taxes	\$ 0	\$ 0	\$ 601,291	\$ 0	\$ 0	\$ 0	\$ 601,291
Other	71,948	266,579	1,249	0	576	0	340,352
State	0	34,936	0	0	0	0	34,936
Federal	0	335,730	0	0	0	0	335,730
Total revenue	71,948	637,245	602,540	0	576	0	1,312,309
<u>Expenditures</u>							
Current:							
Food services	0	569,780	0	0	0	0	569,780
Athletics	248,781	0	0	0	0	0	248,781
Capital projects	0	0	0	0	0	122,046	122,046
Debt service:							
Principal	0	0	330,000	0	0	0	330,000
Interest and other	0	0	239,635	0	0	0	239,635
Total expenditures	248,781	569,780	569,635	0	0	122,046	1,510,242
Excess (deficiency) of revenue over expenditures	(176,833)	67,465	32,905	0	576	(122,046)	(197,933)
<u>Other Financing Sources (Uses)</u>							
Operating transfers in from other funds	195,511	0	0	0	29,466	0	224,977
Total other financing sources (uses)	195,511	0	0	0	29,466	0	224,977
Net change in fund balance	18,678	67,465	32,905	0	30,042	(122,046)	27,044
Fund balance - beginning of year	48,821	157,605	128,243	0	28,891	129,486	493,046
Fund balance - end of year	\$ 67,499	\$ 225,070	\$ 161,148	\$ 0	\$ 58,933	\$ 7,440	\$ 520,090

VASSAR PUBLIC SCHOOLS
Other Supplemental Information
Schedule of Bonded Indebtedness - 1999 Issue
For the Year Ended June 30, 2007

DATE OF ISSUE January 1, 1999

AMOUNT OF ISSUE \$ 6,465,000

AMOUNT RETIRED

During prior years	\$ 1,105,000	
During current year	330,000	1,435,000

BALANCE OUTSTANDING - June 30, 2007 \$ 5,030,000

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	3.95%	\$ 345,000	\$ 225,970	\$ 570,970
2009	4.05%	360,000	211,652	571,652
2010	4.15%	375,000	196,533	571,533
2011	4.20%	390,000	180,407	570,407
2012	4.30%	410,000	163,443	573,443
2013	4.35%	430,000	145,402	575,402
2014	4.40%	450,000	126,268	576,268
2015	4.45%	450,000	106,017	556,017
2016	4.50%	455,000	85,768	540,768
2017	4.50%	455,000	64,837	519,837
2018	4.60%	455,000	43,225	498,225
2019	4.75%	455,000	21,613	476,613
		\$ 5,030,000	\$ 1,571,135	\$ 6,601,135

VASSAR PUBLIC SCHOOLS
Other Supplemental Information
Schedule of Bonded Indebtedness - 1998 Durant Issue
For the Year Ended June 30, 2007

DATE OF ISSUE May 15, 1998

AMOUNT OF ISSUE \$ 135,920

AMOUNT RETIRED

During prior years	\$ 80,213	
During current year	0	80,213

<u>BALANCE OUTSTANDING - June 30, 2007</u>	\$ 55,707
--	-----------

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	4.76%	\$ 0	\$ 0	\$ 0
2009	4.76%	7,564	1,981	9,545
2010	4.76%	7,924	1,620	9,544
2011	4.76%	8,302	1,243	9,545
2012	4.76%	8,696	848	9,544
2013	4.76%	23,221	5,410	28,631
		\$ 55,707	\$ 11,102	\$ 66,809

VASSAR PUBLIC SCHOOLS
Other Supplemental Information
Schedule of Bonded Indebtedness - QZAB
For the Year Ended June 30, 2007

DATE OF ISSUE April 1, 2005

AMOUNT OF ISSUE \$ 500,000

AMOUNT RETIRED

During prior years	\$	0	
During current year		0	0

<u>BALANCE OUTSTANDING - June 30, 2007</u>		<u><u>\$ 500,000</u></u>
--	--	--------------------------

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Requirements</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	0.00%	<u><u>\$ 500,000</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 500,000</u></u>



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September 4, 2007

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Education
Vassar Public Schools
Vassar, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Vassar Public Schools as of and for the year ended June 30, 2007 which collectively comprise the School District's basic financial statements and have issued our report thereon dated September 4, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Vassar Public Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Vassar Public Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Vassar Public Schools' internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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WEINLANDER FITZHUGH

Board of Education
Vassar Public Schools
September 4, 2007

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School District's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies 2007-01 and 2007-02 described in the accompanying schedule of findings and questions cost to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the School District's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe significant deficiency 2007-02 described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Vassar Public Schools' basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and response items.

Vassar Public School's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned cost. We did not audit Vassar Public School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information of the Board of Education, management, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



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September 4, 2007

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education
Vassar Public Schools
Vassar, Michigan

Compliance

We have audited the compliance of Vassar Public Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Vassar Public School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questionable costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Vassar Public School's management. Our responsibility is to express an opinion on Vassar Public School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Vassar Public School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Vassar Public School's compliance with those requirements.

In our opinion, Vassar Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the ended June 30, 2007.

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Board of Education
Vassar Public Schools
September 4, 2007
Page 2

Internal Control Over Compliance

The management of Vassar Public School's is responsible for establishing and maintaining effective internal control over compliance with the requirement of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Vassar Public School's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Vassar Public Schools' internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was not for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the Board of Education, management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

VASSAR PUBLIC SCHOOLS
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

SECTION I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? X yes no

Significant deficiencies identified not considered to be material weaknesses?
 X yes no

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? yes X no

Significant deficiencies identified not considered to be material weaknesses?
 yes X no

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with
Section 510 (a) of Circular A-133? yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	E.C.I.A. Title I
10.555	National Lunch Program
10.553	Breakfast Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? yes X no

VASSAR PUBLIC SCHOOLS
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

SECTION II - Financial Statement Findings

2007-1

Criteria or Specific Requirement

Establishment and maintenance of internal control over the financial reporting process.

Condition

Due to the complexity of the required government-wide financial statements and related note disclosures in accordance with GASB 34, the School District does not maintain personnel who can report in accordance with U.S. generally accepted accounting principles without auditor intervention.

Criteria

Internal controls should be in place to provide reasonable assurance to the School District that the management possesses the skills necessary to monitor and report annual financial activity without auditor intervention.

Effect

The effect of this condition places a reliance on the independent auditor to be part of the School District's internal control over financial reporting.

Recommendation

The School District should review and implement the necessary education and procedural activities to monitor and report annual financial activity.

Views of Responsible Officials and Planned Corrective Action

We will be sending key individuals to workshops and conferences to keep current on state and federal guidelines and initiatives.

VASSAR PUBLIC SCHOOLS
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

2007-02

Criteria

Proper authorization, recording and custody of disbursements in the payroll cycle.

Condition

Due to a limited staff size, the School District has a lack of segregation of duties with respect to the payroll disbursement accounting functions because the duties are centralized with one individual.

Criteria

Internal controls should be in place to provide reasonable assurance that the School District maintains a system to detect and prevent financial statement misstatements.

Effect

Potential errors in calculation, recording and use of School District's funds.

Recommendation

Increase oversight and implement proper segregation of duties regarding disbursements in the payroll cycle.

Views of Responsible Officials and Planned Corrective Action

We have already instituted changes. Non-payroll staff review and approve input reports prior to the processing of payroll.

SECTION III - Federal Award Findings and Questioned Costs

There are no matters reported.

VASSAR PUBLIC SCHOOLS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2006		Adjustments and Transfers	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2007
<u>U.S. Department of Education</u>									
Passed through Michigan Department of Education									
E.C.I.A. Title I Part A	84.010								
Project 61530-0506		\$ 273,290	\$ 270,908	\$ 44,905	(a)	\$ (2,382)	\$ 44,905	\$ 0	\$ 0
Project 61530-0607		2,382	0	0		0	2,382	2,382	0
Project 71530-0607		247,161	0	0		0	176,046	235,931	59,885
Project 61700-0506		531,289	522,486	140,149	(b)	(8,803)	140,149	0	0
Project 61700-607		8,803	0	0		0	8,803	8,803	0
Project 71700-607		555,774	0	0		0	435,754	555,773	120,019
			<u>793,394</u>	<u>185,054</u>		<u>(11,185)</u>	<u>808,039</u>	<u>802,889</u>	<u>179,904</u>
Title V	84.298								
Project 70250-0607		2,236	0	0		0	2,236	2,236	0
			<u>0</u>	<u>0</u>		<u>0</u>	<u>2,236</u>	<u>2,236</u>	<u>0</u>
Technology Literacy	84.318								
Project 74290-0607		2,537	0	0		0	80	80	0
			<u>0</u>	<u>0</u>		<u>0</u>	<u>80</u>	<u>80</u>	<u>0</u>
Title IIA	84.367								
Project 60520-0506		88,693	77,620	22,291	(c)	(11,073)	22,291	0	0
Project 60520-0607		11,073	0	0		0	11,073	11,073	0
Project 70520-0607		86,578	0	0		0	60,087	86,431	26,344
			<u>77,620</u>	<u>22,291</u>		<u>(11,073)</u>	<u>93,451</u>	<u>97,504</u>	<u>26,344</u>

VASSAR PUBLIC SCHOOLS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2006	Adjustments and Transfers	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2007
Passed through Huron Intermediate School District Tech Prep Grant Project 4014/11	84.243A	\$ 2,000	\$ 0	\$ 0	\$ 0	\$ 2,000	\$ 1,077	\$ (923)
Total U. S. Department of Education			871,014	207,345	(22,258)	905,806	903,786	205,325
<u>U.S. Department of Agriculture</u>								
Passed through Michigan Department of Education National School Food Programs								
Lunch	10.555	234,187	0	0	0	234,187	234,187	0
Breakfast	10.553	68,192	0	0	0	68,192	68,192	0
			0	0	0	302,379	302,379	0
Food Distribution	10.550							
Entitlement Commodities		31,446	0	0	0	32,758	32,758	0
Bonus Commodities		593	0	0	0	593	593	0
			0	0	0	33,351	33,351	0
Total U.S. Department of Agriculture			0	0	0	335,730	335,730	0
			\$ 871,014	\$ 207,345	\$ (22,258)	\$ 1,241,536	\$ 1,239,516	\$ 205,325

See accompanying notes to financial statements.

VASSAR PUBLIC SCHOOLS
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

NOTE 1 - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Vassar Public Schools and is presented in the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-profit Organizations.

NOTE 2 - OTHER DISCLOSURES

Management has utilized the Grants Section Auditors Report and the Cash Management System Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.

NOTE 3 – GRANT ADJUSTMENTS AND TRANSFERS

Adjustments to grants for June 30, 2007, were as follows:

- (a) Grant award 615300506 was reduced by \$2,382. Grant award 615300607 was established from those funds.
- (b) Grant award 617000506 was reduced by \$8,803. Grant award 617000607 was established from those funds.
- (c) Grant award 5042900405 was reduced by \$11,073. Grant award 605200607 was established from those funds.